



### OVERVIEW

Nearly all policies and actions of the City of Wichita involve resource allocation. Central to the allocation process is the development of financial trends and the annual operating and capital budgets. The City of Wichita must prepare and adopt an operating budget each year. The presentation of this document is the last in a series of steps in the process as outlined in the budget calendar, which follows.

The City's budget process is governed by many factors:

- Statutes of the State of Kansas
- Governmental accounting and budgeting practices
- Revenue projections
- Current obligations and services
- City Council goals

### STATUTES OF THE STATE OF KANSAS

Statutes of the State of Kansas govern the operating budget process. Among other provisions, the budget law states that cities must:

- Prepare annual, itemized budgets
- Account for the prior, current, and ensuing year in specific ways
- Maintain fund balances within prescribed limits
- Hold a formal hearing, with appropriate publication and notice
- Complete the process and submit the budget by August 25
- Not exceed adopted expenditure authority without approval through a formal amendment process

The cash-basis law provides that cities may not pay any obligation in excess of the amount of funds actually on hand in the treasury at the time for the indicated purpose. Under state law, and according to accepted accounting principles, accounts of the City are organized by funds and groups of accounts. This means that:

- each fund is a budget and for accounting purposes has its own set of revenues and expenditures;
- expenditures within each fund are limited to the specific purposes of that fund; and,
- resources or revenues in excess of current expenditures are not available for expenditures in other funds.

The State of Kansas statutes governing the City's budget process are presented in the "Other Information" section following the fund summaries in this document.

In accordance with state law, the City submits the annual budget to the state for certification of each operating fund. If increased expenditure authority is needed for any fund in the

revised budget, the City Council must formally approve a revised budget and re-certify that fund to the state, following the re-certification process prescribed in state law.

### GOVERNMENTAL ACCOUNTING PRACTICES

In accordance with Kansas Statutes, the City of Wichita prepares budgets on the *cash basis of accounting*. In cash basis accounting revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are recorded when paid. This is different from the full accrual basis of accounting, also referred to as the *Generally Accepted Accounting Principles* (GAAP) basis of accounting. The major difference between the full accrual basis of accounting and the cash basis of accounting is that expenditures are recorded when a good or service is received, not when purchased. The same is true of revenues; under full accrual revenues are accounted for when earned, not when received. After the close of the fiscal year the City's accounts are converted to a basis of accounting called "modified accrual" to produce the Combined Annual Financial Report. The Summary of Significant Accounting Policies and Description of Funds is presented in the "Other Information" section following the fund summaries in this document.

### WICHITA BUDGETING PRACTICES

The budget process is shaped by many policy decisions and guidelines established by the City Council. For example, the Council monitors the reserve for the General Fund and has determined to maintain levels that do not fall below a minimum of 10 percent of annual revenues. The reserve is a prudent "savings account" for unforeseen emergencies or shortfalls caused by revenue declines.

To ensure continuity in government services, the City of Wichita employs a two-year rolling budget cycle. The City Manager submits the Proposed Budget for the next fiscal year (2007) to the City Council in July. That document also includes a projected budget for the ensuing fiscal year (2008) to better plan in advance, and revised budget for the current fiscal year (2006).

While the City is developing the annual operating budget, a parallel process occurs to fund capital improvements, such as public works projects. After the operating budget is adopted, the Capital Improvement Program (CIP) is presented, outlining the City's 10-year program for planned capital investments and the means for funding these projects.

### REVENUE PROJECTIONS

The amount of available funding determines much of the budget process. Since future revenues cannot be known for certain, the framework for the whole budget development process, in effect, is built upon assumptions about the City's economic and financial future.



The first step in the budget development process is the projection of revenues by City staff. Trends in the performance of each revenue source are studied, and economic conditions and events that could alter the projections are considered.

Many factors affect revenues, including weather conditions (especially important for electric, gas and water utility franchise taxes); motor vehicle and gas taxes, and local economic conditions (influencing the sales tax revenue stream as well as other sources). Economic indicators used in preparing the financial projections and budget are included in the "Other Information" section of this document.

Forecasting revenues is one of the most difficult tasks the City encounters when preparing a budget. If assumptions are too optimistic, policy makers may adopt programs that will not be supported by actual revenues in the coming year. If assumptions are too pessimistic, the budget process becomes constrained by the need to reduce programs and expenditures, or to find new revenue sources, including tax increases.

Assumptions are stated at the beginning of the General Fund presentation because of their importance in the benchmark for adjustments in the actual year of operation, but also allow other interested citizens to challenge and improve on the assumptions as the budget is being reviewed.

## BUDGET REVISIONS, AMENDMENTS AND ADJUSTMENTS

Although funding levels are shown in this document at the service levels, budgets are controlled at the character level and by Department within each fund. If a budget requires revision due to changes in expenditures and revenues that depart from the adopted budget, there are two methods to amend the budget.

**BUDGET ADJUSTMENTS.** During the year, budget adjustments in amounts less than \$25,000 are made within funds administratively. Budget adjustments greater than \$25,000, or adjustments that change the intent of program expenditures are brought to the City Council for action.

**BUDGET AMENDMENTS.** Under Kansas law, the City Council may amend an adopted budget during an operating year, if unforeseen circumstances create a need to increase the expenditure authority of a fund or budget. A ten day official notice is published and a public hearing is held before the City Council.

## CURRENT OBLIGATIONS AND SERVICES

Programs supported in the current operating budget represent prior City Council commitments that must be evaluated to determine if the programs should be sustained, altered, reduced, or eliminated altogether. Reallocations of personnel or equipment, and other modifications involving levels and methods of service delivery in ongoing programs must be undertaken with sensitivity to community preferences, in addition to minimizing disruption to all individuals involved in producing or receiving the service.

Debt obligations to pay for the City's streets and bridges, water and sewer systems, park system, and facilities are a consideration during the budget development process. Per City Council policy, property tax support for debt service is ten mills, or roughly one-third of all property taxes levied.

Operating costs associated with new capital projects are another key budget consideration. Future costs of heating and maintaining new buildings and keeping roads and streets in good condition add to the annual operating costs, demonstrating the interplay between capital and operating budgets.

Additionally, meeting unexpected costs of programs mandated by the federal and state governments, as well as providing for future employee compensation, continue to be critical issues.

## MANAGING FOR RESULTS

Finally, new needs and policy directions, as well as unexpected constraints, shape the budget process. Fiscal decision-making will be guided by consideration of the impact of an issue on the City's goal areas, as noted below:

- Safe and Secure Community
- Economic Vitality and Affordable Living
- Efficient Infrastructure
- Quality of Life
- Core Area and Neighborhoods
- Internal Perspective

These goals were adopted by the City Council, representing the vision for the City of Wichita. Staff assisted in the effort to transform the budget process from one that was output driven and organized departmentally to one that is outcome driven and organized by goals. This change is reflected in the budget's organization: sections represent each of the goals.

Interdepartmental Strategy Teams, one for each of the five goals, evaluated the past performance and future goals of services in their goal area. After considering each service, the teams prepared allocation suggestions based on the stated indicators in each goal area. These plans were presented to the City Manager for consideration during the formulation of the proposed 2007-2008 budget.



# ANNUAL OPERATING BUDGET CALENDAR

## BUDGET PROCESS

Budget development is an ongoing process. The process from initial planning to the first day of an adopted budget is approximately 23-26 months. During the Fall and Winter months, strategy teams for each of the goals will review City services to determine which services need revision. For example, the City started planning for 2008 in late 2005 and early 2006, which can be difficult as economic climate and community needs are not static.

February 2006	Budget Office begins revenue forecasting for 2007 Fiscal Year
March	Budget Office develops Base Budgets that reflect 2006 programming adjusted for 2007 forecasted costs
April	Departments review Base Budgets and complete Service Plans
April 3	Service Plans provided to Strategy Teams
April 10	Service Adjustment Plans provided to Strategy Teams
May 8	Strategy Teams complete recommendations for service level funding
May 15	Strategy Teams review funding recommendations with the City Manager
May 23	Strategy Teams present recommendations to the City Council Workshop
May/ June	City Manager meets with Department Heads to receive feedback on service level funding for programs in their departments. Budget staff prepare the City Manager's proposed budget.
July 10	City Manager presents the 2007/ 2008 Proposed Budget to the City Council
July 18	City Council authorizes publication notice on the 2007/2008 operating budget
August 8	City Council formal hearing and adoption of the 2007/2008 operating budget.
August 25	Adopted levies for the 2007 budget are filed with the Sedgwick County Clerk (K.S.A. 79-1801 and 79-2930)
September	Performance measurement data reviewed by Strategy Teams to plan for 2008/ 2009 budget
October- December	Strategy Teams continue reviewing performance measurement data and consider service adjustments for the 2008/ 2009 budget
December	Staff develop a "report card" to measure performance of City services. Also, Staff develop a "balanced scorecard" to provide standardized format for all City staff and citizens to understand the City's goals and indicators.
January 1, 2007	Fiscal Year 2007 begins